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Message Text

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66
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 TRSE-00 FTC-01 NSC-05 SS-15 OMB-01
CIEP-02 CEA-01 FRB-01 EB-07 NEA-10 SP-02 OPIC-06
COME-00 AGRE-00 OIC-02 EA-09 /088 W
---------- 016036
R 061531Z DEC 76
FM USMISSION GENEVA
TO SECSTATE WASHDC 4022
INFO USOECD PARIS
WHITE HOUSE WASHDC

UNCLAS GENEVA 09692

DEPT PASS FRB AND FTC

WHITE HOUSE PASS TO CAVAGNERO (KNAUER), FTC PASS TO
GRIMES, FRB PASS TO MEDVIN

E.O. 11652: N/A
TAGS: BDIS, ETRD
SUBJ: US ANNEX TO OECD CONSUMER POLICY COMMITTEE REPORT
ON CONSUMER CREDIT

1. US DEL TO WORKING PARTY 4 OF OECD CCP, AS REQUESTED
AT COMMITTEE MEETING ON DECEMBER 1, HAS DRAFTED PROPOSED
TEXT TO US ANNEX TO CREDIT REPORT. TEXT IS AS FOLLOWS:

ANNEX II

NOTE BY THE UNITED STATES DELEGATION

1. AS NOTED IN PARAGRAPH 79 OF THE REPORT OF THE COMMITTEE
ON CONSUMER POLICY ON CONSUMER PROTECTION IN THE FIELD
OF CONSUMER CREDIT, THE UNITED STATES IS OF THE VIEW
THAT CERTAIN ADDITION MEASURES, PARTICULARLY SEVERAL
DESIGNED TO BETTER INFROM THE CONSUMER THROUGH ADVERTISING
OF CONSUMER CREDIT AND AT THE TIME OF ENTERING INTO A
CREDIT AGREEMENT, SHOULD BE CONSIDERED BY MEMBER NATIONS
IN ADDITION TO THOSE SET FORTH IN THE REPORT. IT IS CLEAR
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THAT, JUST AS FOR ANY OTHER CONSUMER PROTECTION MEASURE,

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MEASURES IN THE CREDIT AREA COULD LEAD TO COSTS FOR CONSUMERS WHICH SHOULD BE EVALUATED PRIOR TO THEIR ADOPTION, NEVERTHELESS, THESE ADDITIONAL PROPOSED INFORMATIONAL REQUIREMENTS ARE OF TYPES WHICH HAVE BEEN FOUND USEFUL IN PROVIDING INFORMATION UPON WHICH CONSUMERS CAN MAKE INFORMED JUDGMENTS AND THUS PROTECT THEMSELVES.

2. SPECIFICALLY. IN THE AREA OF CREDIT ADVERTISING, THE UNITED STATES PROPOSES THAT MEMBER NATIONS SHOULD CONSIDER ADDING THE FOLLOWING REQUIREMENTS TO THOSE LISTED IN THE REPORT:

(A) IN ADVERTISEMENTS WHICH SPECIFY ONE OR TWO ELEMENTS OF THE CONSUMER CREDIT TRANSACTION PROPOSED, THE DEFERRED PAYMENT PRICE (I.E., TOTAL OF PAYMENTS) IN THE CASE OF INSTALLMENT SALES OR THE TOTAL OF PAYMENTS IN THE CASE OF A LOAN SHOULD ALSO BE SPECIFIED. THIS WILL RELIEVE THE CONSUMER OF THE BURDEN OF MATHEMATICAL CALCULATION IN DETERMINING HOW MUCH THE PARTICULAR TRANSACTION PROPOSED BY THE ADVERTISEMENT WOULD COST HIM. IN ADVERTISEMENTS OFFERING NON-SPECIFIC AMOUNTS, I.E., LOANS, AN EXAMPLE OF A TYPICAL AMOUNT LOANED SHOULD BE GIVEN.

(B) IN ADVERTISEMENTS WHERE MORE THAN TWO ELEMENTS OF THE SPECIFIC TRANSACTION PROPOSED ARE SPECIFIED, ALL THE ELEMENTS REQUIRED IN ADVERTISEMENTS WITH TWO OR FEWER ELEMENTS SHOULD ALSO BE REQUIRED. IN ADDITION, TERMS OF REPAYMENT SHOULD, AT A MINIMUM, INCLUDE A STATEMENT THE NUMBER, FREQUENCY AND AMOUNTS OF PAYMENTS, AND A STATEMENT OF ANY REQUIRED DOWNPAYMENT IN THE CASE OF INSTALLMENT SALES SHOULD BE REQUIRED. ONCE AGAIN, THESE REQUIREMENTS WOULD COMPEL THE CONSTRUCTION OF AN EXAMPLE IN CASES WHERE NON-SPECIFIC AMOUNTS OF CREDIT ARE INVOLVED.

3. IN CONSUMER CREDIT CONTRACTS FOR THE ACQUISITION OF GOODS OR SERVICES, THE FOLLOWING ADDITIONAL REQUIREMENTS SHOULD BE CONSIDERED:

(A) ALL REQUIRED ELEMENTS OF INFORMATION SHOULD BE SET
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FORTH IN A CLEAR AND CONSPICUOUS MANNER IN TYPE LARGE ENOUGH TO BE EASILY READ AND IN AN APPROPRIATELY PROMINENT LOCATION IN THE CONTRACT.

(B) THE DATE ON WHICH INTEREST UNDER THE CONTRACT BEGINS TO ACCRUE, IF DIFFERENT FROM THE DATE OF SIGNATURE, SHOULD BE STATED CLEARLY.

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(C) THE DEFERRED PAYMENT PRICE OF THE GOODS OR SERVICES IN QUESTION SHOULD BE INCLUDED IN ADDITION TO THE CASH PRICE.

(D) THE AMOUNT OF ANY CHARGES FOR LATE PAYMENT SHOULD BE STATED, AT LEAST IN PERCENTAGE FORM.

(E) A STATEMENT OF ANY SECURITY INTERESTS CREATED IN PROPERTY OTHER THAN THE GOODS OR SERVICES ACQUIRED UNDER THE CONTRACT AND OF THE SELLER'S OR THE CREDIT INSTITUTION'S RIGHT TO TAKE POSSESSION OF SUCH OTHER PROPERTY SHOULD BE CLEARLY SET OUT.

(F) THE RIGHTS OF THE CONSUMER DURING ANY APPLICABLE COOLING-OFF PERIOD SHOULD BE SPELLED OUT.

4. IN OTHER TYPES OF CONSUMER CREDIT CONTRACTS, I.E., CREDIT CARD AGREEMENTS, AGREEMENTS FOR RUNNING ACCOUNTS WITH STORES, PERSONAL BANK LOAN AGREEMENTS AND BANK OVERDRAFT ARRANGEMENTS, REQUIREMENT OF THE FOLLOWING ADDITIONAL INFORMATIONAL ELEMENTS SHOULD BE CONSIDERED:

(A) THE PERIODIC RATE OF INTEREST AS WELL AS THE ANNUAL RATE OF INTEREST SHOULD BE SET FORTH, SINCE MANY LOANS PURSUANT TO THESE CREDIT ARRANGEMENTS ARE REPAID IN WELL UNDER A YEAR. AN EXPLANATION OF HOW THE BALANCE TO WHICH THE PERIODIC RATE IS APPLIED SHOULD ALSO BE INCLUDED SO THAT CONSUMERS MAY LEARN HOW TO MAKE PAYMENTS IN TIME TO KEEP THEIR CHARGES FOR CREDIT AS LOW AS POSSIBLE.

(B) IN THE CASE OF BANK LOANS (WHICH SHOULD ALSO BE CONSIDERED TO INCLUDE LOANS GRANTED BY OTHER TYPES OF FINANCIAL INSTITUTIONS) THE DETAILS OF ANY SECURITY REQUIRED
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AND THE RIGHT OF THE BANK OR OTHER CREDIT INSTITUTION TO TAKE POSSESSION OF THE PROPERTY IN WHICH A SECURITY INTEREST IS CREATED SHOULD BE SET OUT. IT IS RELATIVELY COMMON FOR SECURITY INTERESTS IN VARIOUS TYPES OF CONSUMER PROPERTY TO BE CREATED, AT LEAST IN LOAN CONTRACTS FOR LARGER AMOUNTS.

(C) ALSO IN THE CASE OF BANK LOANS, A STATEMENT OF THE DATE ON WHICH INTEREST BEGINS TO ACCRUE, IF DIFFERENT FROM THE DATE OF SIGNATURE, IS DESIRABLE, AS IS A STATEMENT OF THE AMOUNTS OF ANY CHARGES IMPOSED FOR LATE PAYMENTS. END TEXT.

2. US DEL REQUESTS THAT ANY DESIRED CHANGES TO DRAFT TEXT BE TRANSITTED TO US DEL VIA USOECD NEXT WEEK

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(DECEMBER 13-16) SO THAT FINAL TEXT MAY BE PREPARED AND
GIVEN TO OECD SECRETARIAT BY US DEL.CATTO

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